

Message Text

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13

ACTION EA-14

INFO OCT-01 ADP-00 AGR-20 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-09 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 SAL-01 OMB-01 NSC-10 SS-14

STR-08 CEA-02 DODE-00 PA-03 USIA-12 PRS-01 RSR-01

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R 230415 Z MAR 73

FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC 6426

INFO AMEMBASSY CANBERRA

UNCLAS WELLINGTON 727

E. O. 11652: N/A

TAGS: ETRD, NZ

SUBJECT: GNZ INTRODUCES LIMITED PRICE FREEZE

1. BEGIN SUMMARY. GNZ HAS FROZEN DOMESTIC PRICES ON FISH AND SHEEP MEAT AND ANNOUNCED PLANS FOR FURTHER PRICE CONTROLS. END SUMMARY.

2. GNZ ANNOUNCED MARCH 22 ITS MOVES TO COMBAT CURRENT PRICE INFLATION. EFFECTIVE IMMEDIATELY ARE FOLLOWING:
(A) MUTTON, LAMB, AND FISH PRICES ARE FROZEN AND WILL REMAIN SO FOR NEXT WEEK OR TEN DAYS UNTIL NEW PRICES CAN BE FIXED (B) WHEN ABOVE FREEZE IS LIFTED, ALL SHEEP MEAT PRICES WILL BE REDUCED BY TWO CENTS A POUND AND HELD AT THAT LEVEL WITH A GNZ SUBSIDY TO WHOLESALERS;
(C) FIXED MINIMUM RETAIL PRICE WILL BE MARKED ON CERTAIN MANUFACTURED AND PROCESSED ITEMS, ESSENTIALLY FOODSTUFFS, FOOTWEAR, AND CLOTHING; (D) APPLES AND PEARS WILL BE BROUGHT UNDER FULL PRICE CONTROL; (E) AUCTION SYSTEM FOR FRUIT AND VEGETABLES WILL BE ALTERED TO ELIMINATE SUBSIDIARY OR COMMISSION BUYERS FROM ESTABLISHING INFLATED FLOOR PRICES.

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2. IN MAKING ANNOUNCEMENT MINISTER OF TRADE AND INDUSTRY FREER NOTED GNZ IS ATTEMPTING TO HOLD PRICES AT PRESENT LEVEL AND WORK TOWARDS LOWERING SOME PRICES. BEEF AND PORK PRICES WERE NOT AFFECTED BECAUSE OF QUOTE PROBLEMS UNQUOTE WITHIN THOSE INDUSTRIES. FREER ADDED THAT GNZ ACTION TO LIMIT OPPORTUNITY FOR EMPLOYERS TO PASS ALL WAGE AND RELEVANT COSTS INTO THEIR GENERAL COST STRUCTURE IS STILL UNDER REVIEW. HE ALSO NOTED THAT ADDITIONAL MOVES WILL BE MADE TO STRENGTHEN CONSUMER INSTITUTE AS A CONSUMER COMPLAINT SERVICE AND THAT GNZ INTENDS TO OVERHAUL LEGISLATION ON DECEPTIVE PACKAGING AND MISLEADING ADVERTISEMENT.

3. FREER ACKNOWLEDGED THAT CURRENT ACTIONS ARE UNLIKELY TO FULLY SATISFY CONSUMERS BUT FIT IN WITH PREVIOUS MOVES TO STABILIZE PRICES.

4. THERE HAS BEEN LITTLE REACTION FROM FEDERATED FARMERS ON THE SHEEP MEAT PRICE FREEZE. FARMERS HAD STRONGLY OBJECTED TO ANY MOVE BY THE GOVERNMENT TO REDUCE MEAT PRICES BY PLACING A LEVY ON MEAT EXPORTS. HOWEVER, THEY FEEL THAT THE CURRENT TEMPORARY FREEZE AND TWO CENTS PER POUND REDUCTION AT THE WHOLESALE LEVEL WILL HAVE LITTLE OR NO EFFECT ON THE PRICES FARMERS RECEIVE FOR SHEEP MEATS. OTHER REACTIONS HAVE BEEN PREDICTABLE WITH MANUFACTURERS CALLING FOR EFFECTIVE WAGE CONTROLS TO RELIEVE PRESSURES ON THEM, AND WITH CONSUMER GROUPS CLAIMING GNZ MOVES ARE NOT EXTENSIVE ENOUGH TO PROTECT LOWER INCOME GROUPS. FOL LEADERS CLAIM THEY WERE NOT CONSULTED BY GNZ ON THESE MOVES BUT ARE SATISFIED GNZ HAS NO INTENTION OF IMPOSING WAGE FREEZE.

5. COMMENT. IT IS CLEAR THIS IS ONLY FIRST STAGE OF GOVERNMENT'S PLANS TO CONTROL PRICES AND THAT WAGE RESTRAINT MEASURE MAY BE INCLUDED IN LATER ANNOUNCEMENTS. PRESSURE FOR CONTROLS HAS BEEN HEIGHTENED BY GROWING FEAR OF RETURN TO RAPID INFLATION. FOUR PER CENT RISE IN FOOD PRICE INDEX IN JANUARY/FEBRUARY, CONTRASTED WITH 3.2 PERCENT RISE IN ALL 1972, WAS PORTENT. TEXT OF ANNOUNCEMENT BEING POUCHED.
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*** Current Handling Restrictions *** n/a

*** Current Classification *** UNCLASSIFIED

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 23 MAR 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973WELLIN00727
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: WELLINGTON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730337/aaaaifvh.tel
Line Count: 118
Locator: TEXT ON-LINE
Office: ACTION EA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: smithrj
Review Comment: n/a
Review Content Flags:
Review Date: 29 OCT 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <29-Oct-2001 by cunninfx>; APPROVED <01-Feb-2002 by smithrj>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> srp 971223
Subject: GNZ INTRODUCES LIMITED PRICE FREEZE
TAGS: ETRD, NZ
To: EA
SECSTATE WASHDC INFO CANBERRA
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005